

Message Text

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ACTION NEA-10

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E.O. 11652: TXA
TAGS: ETRD, XF, US, LY
SUBJECT: ARAB BOYCOTT: TRADE IMPACT OF ANTI-BOYCOTT LEGISLATION

REF: STATE 194719

BEGIN SUMMARY: IMPACT OF EAA AMENDMENTS ON U.S. TRADE WITH LIBYA CANNOT BE QUANTIFIED. LIBYAN GOVERNMENT APPEARS TO BE EXERCISING GREATER FLEXIBILITY THAN MIGHT HAVE BEEN EXPECTED, PARTICULARLY IN PETROLEUM SECTOR TRANSACTIONS. U.S. EXPORTS WERE UP FOR FIRST FIVE MONTHS OF 1978, BUT WE ARE STRUCK BY THE DECLINE IN U.S. BUSINESSMEN CALLING AT EMBASSY, WHICH COULD BE RELATED TO ANTI-BOYCOTT PROBLEMS. END SUMMARY.

1. THE IMPACT OF THE EAA AMENDMENTS ON U.S. TRADE WITH LIBYA IS STILL MURKY. WE HAVE RECEIVED CONFLICTING REPORTS ABOUT WHAT THE LIBYANS HAVE DONE TO REVISE THEIR BOYCOTT PRACTICES TO ACCOMMODATE AMERICAN BANKS' AND EXPORTERS' PROBLEMS WITH EAA REGULATIONS. WE HAVE NOT SOUGHT TO HAVE THE LIBYANS DEFINE TO US THEIR REACTIONS TO THE EAA AMENDMENTS OUT OF CONCERN THAT SUCH ACTION WOULD BE COUNTERPRODUCTIVE IN PRESENT CLIMATE OF BILATERAL RELATIONS. IT APPEARS, HOWEVER, THAT THE LIBYANS MAY BE MORE FLEXIBLE THAN MIGHT HAVE
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BEEN EXPECTED, PARTICULARLY IN "NATIONAL INTEREST" CASES.

2. LIBYA'S MAIN ECONOMIC NATIONAL INTEREST IS THE CONTINUED PRODUCTION AND EXPORT OF CRUDE OIL. WE ARE TOLD BY OIL INDUSTRY SOURCES THAT LIBYANS HAVE BEEN EXPECTABLY COOPERATIVE IN REMOVING FROM CRUDE-OIL SALES CONTRACTS ANY LANGUAGE THAT COULD CAUSE EAA PROBLEMS TO AMERICAN

BUYERS. SOURCES ALSO IMPLY THAT SOMETHING HAS BEEN WORKED OUT TO ALLOW OIL INDUSTRY TO CONTINUE TO GET NECESSARY EQUIPMENT FROM THE U.S. THEY ARE QUITE VAGUE ON THE DETAILS, AND IMPLY THAT THE ARRANGEMENT IS INFORMAL AND COULD BE UPSET IF BROUGHT TO THE ATTENTION OF HIGHER LEVELS OF GOVERNMENT. IT IS UNCLEAR WHETHER THIS MEANS LIBYAN BANKS ARE ISSUING LETTERS OF CREDIT CALLING FOR POSITIVE CERTIFICATES OF ORIGIN IN OIL INDUSTRY TRANSACTIONS OR WHETHER AN ALTERNATIVE FORM OF PAYMENT IS USED. NO EAA PROBLEMS HAVE BEEN BROUGHT TO EMBASSY'S ATTENTION BY OIL INDUSTRY REPRESENTATIVES, WHO GENERALLY APPEAR UNCOMFORTABLE DISCUSSING THIS SUBJECT WITH US.

3. OUTSIDE THE OIL SECTOR, THE PICTURE IS EVEN LESS CLEAR. U.S. VENDORS IN VARIOUS CONSUMMATED TRANSACTIONS HAVE TOLD US THAT THE LIBYANS HAD SHOWN FLEXIBILITY IN CASES OF EQUIPMENT THEY REALLY WANTED FROM THE U.S. AND HAD NOT INSISTED ON UNACCEPTABLE LANGUAGE. OTHER VENDORS OF EQUIPMENT IN WHICH THE LIBYANS APPEARED VERY INTERESTED, BUT WHOSE TRANSACTIONS WERE NOT YET CONSUMMATED WHEN THEY SPOKE WITH US, HAVE SAID THAT LIBYANS APPEARED TO HAVE NO PROBLEM WITH VENDOR'S STATEMENT THAT HE WOULD BE UNABLE TO ACCEPT OFFENSIVE BOYCOTT LANGUAGE. ON THE OTHER HAND, A FEW VENDORS AND LIBYAN IMPORTERS HAVE TOLD US THAT BOYCOTT LANGUAGE IN LIBYAN LETTERS OF CREDIT IS STILL A PROBLEM AND THAT SALES HAVE BEEN LOST IN NON-UNIQUE ITEMS LIMITED OFFICIAL USE

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SUCH AS APPLIANCES AND SPARKPLUGS. IN VIEW OF THESE REPORTS, EARLIER SPECULATION THAT LC PROBLEM MIGHT HAVE BEEN ELIMINATED (TRIPOLI 0291, 0919, 0991) APPEAR ERRONEOUS. ALL IN ALL, WE ARE STRUCK BY HOW FEW U.S. BUSINESSMEN COMPLAIN TO US OF BOYCOTT PROBLEMS, BUT THE REASON MAY BE THAT MOST OF THOSE VISITING THE COUNTRY ARE PUSHING TRANSACTIONS WHICH MIGHT QUALIFY FOR "NATIONAL INTEREST" TREATMENT, IN CONTRAST TO CONSUMER-GOODS SALES WHICH CAN MORE EASILY BE HANDLED WITHOUT A VISIT AND WHICH DO NOT QUALIFY FOR SUCH TREATMENT.

4. TRADE FIGURES FOR THE FIRST FIVE MONTHS OF 1978 SHOW A RISING TREND, BUT FULL IMPACT OF EAA AMENDMENTS WAS NOT REACHED DURING THIS PERIOD. U.S. EXPORTS TO LIBYA FOR JANUARY-MAY ROSE BY 24 PERCENT OVER THE SAME PERIOD OF 1977, FROM \$130.5 MILLION TO \$161.9 MILLION. THERE IS OF COURSE NO TELLING HOW MUCH HIGHER EXPORTS MIGHT HAVE BEEN WITHOUT THE ANTI-BOYCOTT LEGISLATION. AN OMINOUS FACTOR IS THE DECLINE OF AMERICAN BUSINESS VISITORS TO THE EMBASSY IN RECENT MONTHS, INDICATING THAT INTEREST OF U.S. BUSINESSMEN IN LIBYAN MARKET MAY BE DROPPING BECAUSE OF EXPECTED ANTI-BOYCOTT PROBLEMS. THE NUMBER

OF U.S. VISITORS LOGGED IN EMBASSY'S COMMERCIAL UNIT
WAS 28 PERCENT LOWER IN JANUARY-JULY 1978 THAN IN THE
SAME PERIOD LAST YEAR, AND FOR THE MAY-JULY PERIODS
THE DECLINE WAS 64 PERCENT.

5. AS USUAL IN TRIPOLI, THE PICTURE IS NOT CRYSTAL CLEAR.
THERE HAVE NO DOUBT BEEN UNQUANTIFIABLE EXPORT LOSSES
DURING 1978 BECAUSE OF THE EAA AMENDMENTS, BUT THEY ARE
PROBABLY SMALLER THAN LOSSES RESULTING FROM EXPORT DENIALS
WHICH HAVE BEEN IMPOSED FOR POLITICAL PURPOSES.

6. WE BELIEVE ALL OF ABOVE MATERIAL EXCEPT PARAGRAPH 2
COULD BE USED PUBLICLY.

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Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
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